

Submitted to: United States Bankruptcy Court for the District of Delaware

Re: Case No. 22-11068 (KBO)

Date: July 06 2025

From: Lingchi Yang, Individual FTX Creditor

2025 JUL 10 P 12:56

CLERK
US BANKRUPTCY COURT
DISTRICT OF DELAWARE

Dear Judge Owens:

**OBJECTION TO MOTION OF FTX RECOVERY TRUST TO IMPLEMENT
RESTRICTED JURISDICTION PROCEDURES**

Submitted by: Lingchi Yang, Tax Resident of China, and Representative of Chinese FTX
Creditors

Preliminary Statement

I respectfully submit this objection as an individual FTX creditor and a member of a broader group of Chinese creditors who share deep concerns about the Trust's recent motion. The implications of this motion affect not just my rights, but those of countless claimants in Chinese and other areas who have fully complied with all requirements under the Plan.

The motion to implement restricted jurisdiction procedure threatens to arbitrarily exclude many creditors from rightful distributions without any sound legal or factual justification. As detailed below, there is no credible basis to conclude that disbursing funds to so called "potential restricted foreign jurisdictions" creditors—particularly in USD through lawful, established channels—would expose the Trust or its agents to any legal or regulatory risk.

I. Property Rights and Due Process Must Be Protected

Property rights are human rights. Under the U.S. Constitution, the Fifth Amendment prohibits the deprivation of property without due process of law. International law, including Article 17 of the Universal Declaration of Human Rights, also affirms that “no one shall be arbitrarily deprived of their property.”

The FTX Recovery Trust’s motion to designate China and 48 other countries as “Restricted Foreign Jurisdictions” risks violating these principles. The motion threatens to **strip thousands of international creditors of their claims solely based on nationality or residence**, without meaningful judicial review or individualized assessment.

This blanket treatment is **presumptive, bureaucratic, and incompatible with the due process protections that both U.S. and international law demand.**

II. Breach of Fiduciary Duty

As a fiduciary, the FTX Recovery Trust is obligated to act in the best interests of **all** creditors. U.S. bankruptcy law, including 11 U.S.C. § 704(a)(1), requires that the estate be administered in a way that maximizes distributions.

“The primary purpose of bankruptcy is to maximize the value of the estate for distribution to creditors.”

— *Commodity Futures Trading Comm’n v. Weintraub*, 471 U.S. 343 (1985)

The Trust **has not fulfilled this duty**. Rather than exploring feasible, lawful, and widely available alternatives—such as distributing USD via Hong Kong-based bank accounts—it is seeking court authorization to **forfeit claims outright**. This inaction and procedural engineering of asset forfeiture constitute a serious breach of its duty of prudence and neutrality.

III. Violation of Equal Treatment Principles under Bankruptcy Code § 1123(a)(4)

The Bankruptcy Code requires that **all creditors within the same class be treated equally**, unless a creditor voluntarily agrees to different treatment.

“A plan shall provide the same treatment for each claim or interest of a particular class.”

— 11 U.S.C. § 1123(a)(4)

Chinese creditors—like others—are general unsecured creditors. To exclude them **categorically** based on perceived regulatory risk is to create unlawful discrimination **within the same creditor class**, with no opt-out or procedural fairness. This is neither equitable nor legal.

IV. Risk of Unfair Discrimination under § 1129(b)(1)

If the Court were to approve a plan or motion that creates such distinctions, it would trigger the protections under § 1129(b)(1), which prohibits **unfair discrimination**.

“The plan does not discriminate unfairly, and is fair and equitable …”

The proposed treatment of Chinese creditors and those in other so-called “restricted jurisdictions” is, by its design, **unfairly discriminatory** and lacks reasonable justification.

V. The Motion Misapplies Chinese Law

The Trust justifies its motion by asserting that crypto-related activity may violate local law. This is a **misunderstanding of the legal landscape** in China:

- Chinese courts recognize cryptocurrency as personal property protected under civil law.
- Individuals are not prohibited from **holding** virtual assets or receiving USD via international wire.
- Hong Kong and Macau offer compliant channels for financial transactions.
- There is **no public evidence** of legal risk to a U.S. trust distributing USD to Chinese individuals.

VI. Precedents Prove Distribution Is Feasible

Other bankruptcy cases confirm that distributions to Chinese creditors are not only possible, but routine:

- In Celsius Network LLC, the court approved USD wire distributions to Chinese claimants.
- In Mt. Gox, creditors in China lawfully received crypto distributions through Kraken.

These precedents demonstrate that practical, lawful mechanisms **do exist**, and that the Trust's attempt to bypass them is unjustified.

Conclusion

The motion as proposed:

- Violates core principles of due process;
- Breaches the Trust's fiduciary obligations;
- Creates unfair discrimination within creditor classes;
- And rests on a mischaracterization of foreign law.

In conclusion, this motion violates various fundamental law principles. The distributing claims to Chinese and other creditors poses no legal risk to the Trustee or its agents and constitutes a required step under the bankruptcy process. I respectfully urge the Court to reject the motion in its current form and direct the FTX Recovery Trust to exhaust all reasonable means of lawfully compensating affected creditors.

Respectfully submitted,

Lingchi Yang

FTX.com Unique Customer Code: 154226

superylc1@protonmail.com

Room 2106, Building 4, Lane 1560, Changdao Road, Pudong New Area,
Shanghai, China, 200129

Signature: Lingchi Yang
Dated: July 6, 2025

CERTIFICATE OF SERVICE

I, Lingchi Yang, hereby certify that on July 6, 2025, I caused a copy of the foregoing Objection to the Motion of the FTX Recovery Trust to Implement Restricted Jurisdiction Procedures to be served via electronic mail upon the following parties:

Sullivan & Cromwell LLP

- James L. Bromley – bromleyj@sullcrom.com
- Alexa J. Kranzley – kranzleya@sullcrom.com
- Andrew G. Dietderich – dietdericha@sullcrom.com
- Brian D. Glueckstein – gluecksteinb@sullcrom.com

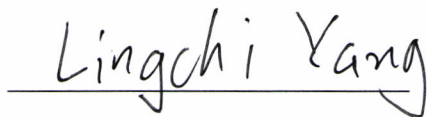
Landis Rath & Cobb LLP

- Adam G. Landis – landis@lrclaw.com
- Kimberly A. Brown – brown@lrclaw.com
- Matthew R. Pierce – pierce@lrclaw.com

I certify under penalty of perjury that the foregoing is true and correct.

Dated: July 5, 2025

China

A handwritten signature in black ink that reads "Lingchi Yang". The signature is written in a cursive, flowing style. The first name "Lingchi" is written above the last name "Yang", which is written in a larger, more prominent script. The signature is positioned above a horizontal line.

Lingchi Yang

深圳市宝安区新桥街道草园社区深圳机场站四路1111号顺丰华南转运中心综合楼三层、四层



TRACKING #: 1Z 4W2 60E 04 1211 2568

UPS SAVER

DE 197 9-25

1P



DE 197 9-25

UNITED STATES
WILMINGTON DE 19801
824 N MARKET ST, 3RD FLOOR
CLERK OF THE COURT
3022522900

SHIP TO:
CLERK OF THE COURT
3022522900
YANGLINGCHI
ROOM 2106, NO. 4 LANE 1560, L
201208 SHANGHAI SHANG
CHINA MAINLAND

EXPRESS

1 KG

1 OF 1

SHIP#: 4W26 0E7P X11
SHP WT: 0.5 KG
DATE: 08 JUL 2025

注意/Note:
1、此文件封仅限于包装厚度在10mm以
The envelope is only applicable to doc
2、文件封内请勿夹带现金、危险品及其他
Cash, hazardous articles or other prohi

021ZB-USA

To
Clerk of the
3022522900
United States Bankruptcy
824 N Market St, 3rd Floor
Wilmington Delaware (19801)

U.S. MAIL

WU



From Yanglingchi 11072160325, room 2106, no. 4 Lane 1560, near Yanglingchi Road Pudong New Area Shanghai City Shanghai, China

From Island Road Pudong New Area Shanghai City Shanghai, China

P: BLUE
0325 - FDL
8: LEFT
WILMINGTON DE 19801
FL 3
824 N MARKET ST
CLERK OF THE COURT

124W260E041211
2568
JUL 10 08:15:108 2025

HD78X2
UNL00D011
2568
X
2331

造单位: 曲阜吉清包装有限公司
量: 100万
生产日期: 2024年10月01日



Lingchi Yang
Room 2106, Building 4, Lane 1560, Changdao Road, Pudong New Area,
Shanghai, China, 200129
superylc1@protonmail.com
July 6, 2025

To: United States Bankruptcy Court

Attn: Clerk of the Court
824 North Market Street, 3rd Floor
Wilmington, Delaware 19801
Re: Objection to FTX Recovery Trust's Motion to Implement Restricted Jurisdiction Procedures — Case No. 22-11068 (KBO)